

PRESCOTT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2009

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PRESCOTT COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September, 2008 Election)		
Randy Cooper	President	2009
Marnie Cline	Vice President	2008
Matt Wood	Board Member	2008
Brian Fitzgerald	Board Member	2009
Doug Birt	Board Member	2010

Board of Education (After September, 2008 Election)

Marnie Cline	President	2009
Doug Birt	Vice President	2010
Randy Cooper	Board Member	2009
Deana Bohn	Board Member	2010
Brian Fitzgerald	Board Member	2011*

School Officials

Steve Callison	Superintendent	2009 **
Steve Waterman	Interim Superintendent	2009 ***
Linda Marley	District Secretary/Treasurer	2009
Engel Law Office	Attorney	2009

* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 239.24 of the Code of Iowa.

** Resigned effective April 30, 2009

*** Served as Interim Superintendent from May, 2009 to June, 2009



Independent Auditor's Report

To the Board of Education
Prescott Community School District
Prescott, Iowa

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Prescott Community School District, Prescott, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Prescott Community School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, we have also issued our reports dated August 12, 2009, on our consideration of the Prescott Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 5 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Prescott Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

August 12, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prescott Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues increased from \$1,111,441 in fiscal 2008 to \$1,176,517 in fiscal 2009, while General Fund expenditures decreased from \$1,139,632 in fiscal 2008 to \$1,109,861 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$79,493 in fiscal 2008 to \$146,149 in fiscal 2009, an 83.8 percent increase from the prior year.
- The increase in General Fund revenues was attributable mainly to new money generated due to additional cash reserve. The decrease in expenditures was due primarily to sharing administrative staff and business manager.
- The District began receiving local option sales tax money in fiscal 2004 and has continued updating the school and grounds. The district used this money in fiscal year 2009 for remodeling the Preschool room and technology equipment.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The statements for governmental funds explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

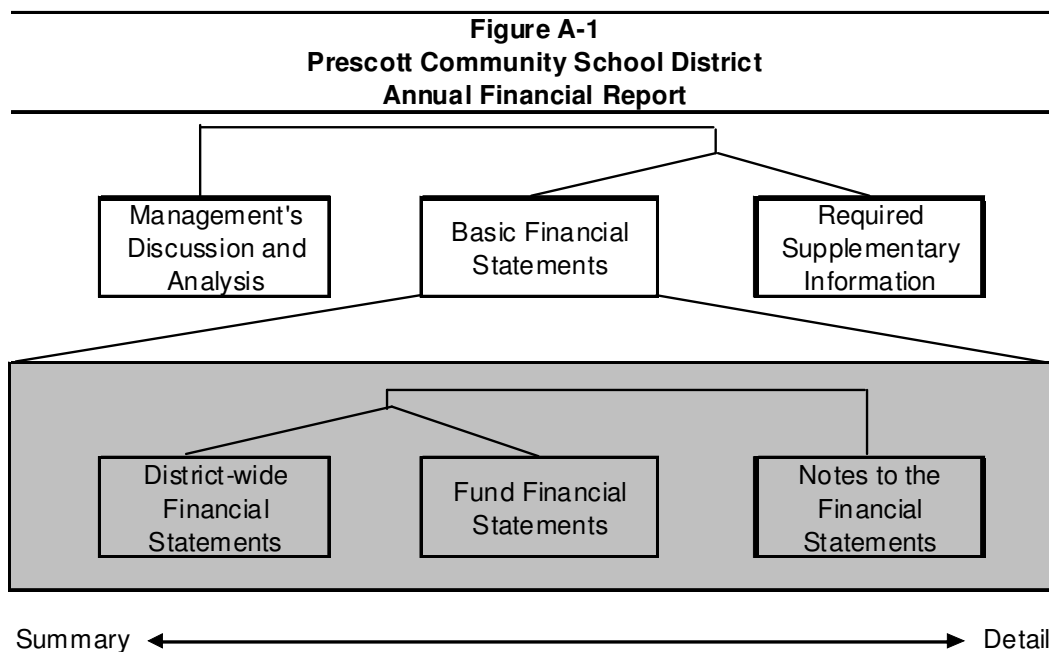


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • State of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and Daycare are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - The District's governmental funds include the General Fund, Special Revenue Funds, and Capital Projects Fund.
- **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Daycare Fund.

- Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as the Parent-Teacher Organization (PTO) Funds.
 - Parent-Teacher Organization (PTO) Funds – The District accounts for assets belonging to the Parent-Teacher Organization in this fund.
 - Employee Funds – The District accounts for assets belonging to the Employees of the school in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to 2008.

Figure A-3							
Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 984,941	847,084	3,633	5,330	988,574	852,414	16.0%
Capital assets	310,193	311,633	702	910	310,895	312,543	-0.5%
Total assets	1,295,134	1,158,717	4,335	6,240	1,299,469	1,164,957	11.5%
Other liabilities	647,194	581,153	43,912	28,461	691,106	609,614	13.4%
Total liabilities	647,194	581,153	43,912	28,461	691,106	609,614	13.4%
Net assets							
Invested in capital assets, net of related debt	310,193	311,633	702	910	310,895	312,543	-0.5%
Restricted	9,078	5,029	-	-	9,078	5,029	80.5%
Unrestricted	328,669	260,902	(40,279)	(23,131)	288,390	237,771	21.3%
Total net assets	\$ 647,940	577,564	(39,577)	(22,221)	608,363	555,343	9.5%

The District's combined net assets increased by 9.5% to \$608,363. Total assets for governmental activities increased by 12.1%. Total liabilities for governmental activities increased by 11.3%. This was due to an increase in deferred property tax revenue for the succeeding year.

The net assets of the District's business type activities decreased to \$-39,577, which is due to an interfund payable to the Management Fund.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2009. The total revenue for the District's governmental activities increased by 1.9%. The total expenditures for the District's governmental activities decreased by 9.1% due to sharing staff with other districts.

The total revenue for the District's business type activities decreased by 27.6%. Most of this decrease was attributable to reduction in the state grant for the Daycare. Total expenses for the District's business type activities decreased 28.4%. This decrease was attributable to payroll and supply cost reductions.

As shown in Figure A-4, property tax and unrestricted state grants account for 70.7% of the funding for governmental activities, while charges for services and operating grants and contributions make up 98.1% of the funding for business-type activities. The District's expenses primarily relate to instruction and support services, which account for 89.9% of the total expenses.

Figure A-4						
Changes in Net Assets						
	Governmental Activities		Business Type Activities		Total District	
	Year ended June 30,	2008	Year ended June 30,	2008	Year ended June 30,	2008
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for service and sales	\$ 15,885	47,506	32,804	48,608	48,689	96,114
Operating grants, contributions and restricted interest	337,343	268,766	38,213	51,028	375,556	319,794
General revenues:						
Property tax	533,167	511,928	-	-	533,167	511,928
Unrestricted states grants	349,832	343,397	-	-	349,832	343,397
Unrestricted investment earnings	3,505	10,736	-	-	3,505	10,736
Other	8,937	43,103	1,394	443	10,331	43,546
Total revenues	1,248,669	1,225,436	72,411	100,079	1,321,080	1,325,515
Program expenses:						
Governmental activities:						
Instruction	710,898	703,132	-	-	710,898	703,132
Support services	427,222	466,589	-	-	427,222	466,589
Non-instructional programs	-	-	86,998	121,484	86,998	121,484
Other expenses	40,173	126,017	-	-	40,173	126,017
Total expenses	1,178,293	1,295,738	86,998	121,484	1,265,291	1,417,222
Transfers between governmental and business	-	-	-	-	-	-
Change in net assets	\$ 70,376	(70,302)	(14,587)	(21,405)	55,789	(91,707)

Governmental Activities

Revenues for governmental activities were \$1,248,669 while total expenses amounted to \$1,178,293.

Figure A-5 presents the cost of four major District activities: instruction, support services, and other expenses. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 710,898	397,261
Support services	427,222	423,973
Other expenses	40,173	3,831
Totals	<u>\$1,178,293</u>	<u>825,065</u>

- The cost of all governmental activities this year was \$1,178,293.
- Total costs of services were decreased by the following revenues: Federal and state government grants and contributions totaling \$337,343 and \$15,885 from charges from services.
- The net cost of governmental activities of \$825,065 was financed with \$533,167 in property tax and local option sales tax, \$349,832 in unrestricted state grants, and \$3,505 in interest income.

Business Type Activities

Revenues of the District's business type activities were \$72,411 and expenses were \$86,998. The District's business type activities include the School Nutrition Fund and the Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and interfund transfers. (See Figure A-4)

Charges for services were \$32,804 or 45.3% of revenue. This represents the amount paid by students/staff for daily food service and daycare services. Federal and state reimbursement for meals, including payments for free and reduced lunches and federal and state reimbursement for daycare was \$38,213 or 52.8% of revenue.

Financial Analysis of the District's Funds

As previously noted, the Prescott Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$337,747, above last year's ending fund balances of \$265,931.

Governmental Fund Highlights

- The General Fund balance increased from \$79,493 in fiscal 2008 to \$146,149 in fiscal 2009. The District had an increase in revenues of over \$65,000 and expenditures decreased by almost \$30,000.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$18,130 in fiscal 2008 to \$332 in fiscal 2009. Expenditures decreased by almost \$45,000.

- The Capital Projects Fund balance increased from \$93,011 in fiscal 2008 to \$131,690 in fiscal 2009. This was the District's fifth year to receive Local Option Sales Tax money.
- The Management Fund balance decreased from \$74,720 in fiscal 2008 to \$59,065 in fiscal 2009. The District's revenues increased by approximately \$500. Expenditures increased by approximately \$1,400.

Proprietary Fund Highlights

- The School Nutrition Fund balance decreased from \$2,358 to \$1,134. Revenues decreased by \$1,329. Expenditures decreased by almost \$3,700, due to decreased payroll and supplies cost.
- The Daycare Fund balance was \$-40,711 at the end of the year. The district is looking at ways to increase revenues and decrease expenditures in the Daycare.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the cash basis.

The District's total actual receipts were \$94,174 less than the total budgeted receipts, a variance of 6.7%. The most significant change resulted in the District receiving less in various components of state revenues than originally anticipated.

Total expenditures were less than budgeted.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2009, the District had invested \$310,895, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, and equipment and furniture. (See Figure A-8) This amount represents a net decrease of .5 percent from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was approximately \$1,600.

Figure A-6 Capital Assets, net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 20,000	20,000	-	-	20,000	20,000	0.0%
Buildings	241,472	225,456	-	-	241,472	225,456	7.1%
Equipment and furniture	48,721	66,177	702	910	49,423	67,087	-26.3%
Total	\$ 310,193	311,633	702	910	310,895	312,543	-0.5%

There was an increase in capital assets during the year in the buildings category. The District's buildings and improvements totaled \$241,472 at June 30, 2009, compared to \$225,456 at June 30, 2008.

Long-Term Debt

At June 30, 2009, the District had no general obligation or other long-term debt outstanding.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of two existing circumstances that could significantly affect its financial health in the future:

- The district is operating an Early Childhood Education Center to serve families of the district. It offers all day preschool or day care services. The Center has already provided some new open-enrolled students to the district this year because of the convenience it offers to parents. Participation by community families would indicate an increase in K-6 enrollment over current levels. The District is implementing changes to the daycare services offered for the 2010-11 school year.
- The district is continuing its tuition sharing agreement with a neighboring school to provide more options to 7th – 12th grade students, and also increase revenue.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Marley, District Secretary/Treasurer and Business Manager, Prescott Community School District, 813 1st Street, Prescott, Iowa, 50859.

Basic Financial Statements

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 387,387	1,469	388,856
Receivables:			
Property tax:			
Delinquent	8,760	-	8,760
Succeeding year	546,453	-	546,453
Local option sales and services tax	10,682	-	10,682
Accounts	-	107	107
Interfund receivable	5,000	-	5,000
Inventories	-	2,057	2,057
Due from other governments	26,659	-	26,659
Capital assets, net of accumulated depreciation	310,193	702	310,895
Total assets	1,295,134	4,335	1,299,469
Liabilities			
Warrants in excess of cash	-	33,608	33,608
Accounts payable	47,112	10	47,122
Salaries and benefits payable	46,624	5,294	51,918
Interfund payable	-	5,000	5,000
Unearned revenue:			
Other	7,005	-	7,005
Succeeding year property tax	546,453	-	546,453
Total liabilities	647,194	43,912	691,106
Net assets			
Invested in capital assets, net of related debt	310,193	702	310,895
Restricted	9,078	-	9,078
Unrestricted	328,669	(40,279)	288,390
Total net assets	\$ 647,940	(39,577)	608,363

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2009

		Program Revenues	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs	Expenses		
Governmental activities:			
Instruction:			
Regular	\$ 564,591	12,314	260,863
Special	128,029	1,300	39,160
Other	18,278	-	-
	710,898	13,614	300,023
Support Service:			
Student	315		
Instructional staff	157,904	-	-
Administration	122,130	-	-
Operating and maintenance of plant	74,349	-	-
Transportation	72,524	2,271	978
	427,222	2,271	978
Other expenditures:			
Facilities acquisition	3,831	-	-
AEA flowthrough	36,342	-	36,342
	40,173	-	36,342
Total governmental activities	1,178,293	15,885	337,343
Business type activities:			
Non-instructional programs:			
Nutrition services	29,148	9,042	18,838
Daycare Services	57,850	23,762	19,375
Total	\$ 1,265,291	\$ 48,689	\$ 375,556

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(291,414)	-	(291,414)
(87,569)	-	(87,569)
(18,278)	-	(18,278)
(397,261)	-	(397,261)
(315)		(315)
(157,904)	-	(157,904)
(122,130)	-	(122,130)
(74,349)	-	(74,349)
(69,275)	-	(69,275)
(423,973)	-	(423,973)
(3,831)	-	(3,831)
-	-	-
(3,831)	-	(3,831)
(825,065)	-	(825,065)
-	(1,268)	(1,268)
-	(14,713)	(14,713)
(825,065)	(15,981)	(841,046)

Exhibit B

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2009

	Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
Totals continued from previous pages	\$ 1,265,291	48,689	375,556
General Revenues:			
Property tax levied for:			
General purposes			
Capital outlay			
Statewide sales and service tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year, as restated			
Net assets end of year			
See notes to financial statements.			

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(825,065)	(15,981)	(841,046)
465,440	-	465,440
13,227	-	13,227
54,500	-	54,500
349,832	-	349,832
3,505	-	3,505
8,937	1,394	10,331
895,441	1,394	896,835
70,376	(14,587)	55,789
577,564	(24,990)	552,574
\$ 647,940	(39,577)	608,363

PRESCOTT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Capital Projects	Manage- ment	PPEL	Non-major Governmental	Total
Assets						
Cash and pooled investments	\$ 210,755	121,008	54,065	1,048	511	387,387
Receivables:						
Property tax:						
Delinquent	8,518	-	-	242	-	8,760
Succeeding year	532,753	-	-	13,700	-	546,453
Local option sales and services tax	-	10,682	-	-	-	10,682
Due from other funds	-	-	5,000	-	-	5,000
Intergovernmental receivable	26,659	-	-	-	-	26,659
Total assets	\$ 778,685	131,690	59,065	14,990	511	984,941
Liabilities and Fund Balances						
Liabilities:						
Salaries and benefits payable	\$ 46,624	-	-	-	-	46,624
Accounts payable	46,154	-	-	958	-	47,112
Deferred revenue:						
Succeeding year property tax	532,753	-	-	13,700	-	546,453
Other	7,005	-	-	-	-	7,005
Total liabilities	632,536	-	-	14,658	-	647,194
Fund balances:						
Fund balance:						
Reserved:						
State grants	7,458	-	-	-	-	7,458
Other	1,620	-	-	-	-	1,620
Unreserved:						
Undesignated	137,071	131,690	59,065	332	511	328,669
Total fund balances	146,149	131,690	59,065	332	511	337,747
Total liabilities and fund balances	\$ 778,685	131,690	59,065	14,990	511	984,941

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 337,747
--	------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

310,193

Net assets of governmental activities (Exhibit A)	<u><u>\$ 647,940</u></u>
--	--------------------------

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended June 30, 2009

	General	Capital Projects	Manage- ment	PPEL	Non-major Governmental	Total
Revenues:						
Local sources:						
Local tax	\$ 465,441	54,500	-	13,227	-	533,168
Tuition	11,966	-	-	-	-	11,966
Other	9,664	316	3,097	261	750	14,088
State sources	549,505	-	-	-	-	549,505
Federal sources	139,941	-	-	-	-	139,941
Total revenues	<u>1,176,517</u>	<u>54,816</u>	<u>3,097</u>	<u>13,488</u>	<u>750</u>	<u>1,248,668</u>
Expenditures:						
Current:						
Instruction:						
Regular	549,097	-	7,854	-	-	556,951
Special	127,556	-	-	-	-	127,556
Other	16,932	-	-	-	816	17,748
	<u>693,585</u>	<u>-</u>	<u>7,854</u>	<u>-</u>	<u>816</u>	<u>702,255</u>
Support services:						
Instructional staff	144,926	1,307	-	11,356	-	157,589
Administration	113,014	-	1,519	5,929	-	120,462
Operation and maintenance of plant	67,177	-	6,857	-	-	74,034
Transportation	54,817	-	2,522	-	-	57,339
	<u>379,934</u>	<u>1,307</u>	<u>10,898</u>	<u>17,285</u>	<u>-</u>	<u>409,424</u>
Other expenditures:						
Facilities acquisition	-	14,830	-	14,001	-	28,831
AEA flowthrough	36,342	-	-	-	-	36,342
	<u>36,342</u>	<u>14,830</u>	<u>-</u>	<u>14,001</u>	<u>-</u>	<u>65,173</u>
Total expenditures	<u>1,109,861</u>	<u>16,137</u>	<u>18,752</u>	<u>31,286</u>	<u>816</u>	<u>1,176,852</u>
Excess (deficiency) of revenues over (under) expenditures	<u>66,656</u>	<u>38,679</u>	<u>(15,655)</u>	<u>(17,798)</u>	<u>(66)</u>	<u>71,816</u>
Fund balances beginning of year	79,493	93,011	74,720	18,130	577	265,931
Fund balances end of year	<u>\$ 146,149</u>	<u>131,690</u>	<u>59,065</u>	<u>332</u>	<u>511</u>	<u>337,747</u>

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ 71,816

***Amounts reported for governmental activities in the
statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$	35,893		
Depreciation expense		(37,333)	(1,440)	

Change in net assets of governmental activities (Exhibit B) \$ 70,376

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2009

	Enterprise Funds
Assets	
Cash and pooled investments	\$ 1,469
Accounts receivable	107
Inventories	2,057
Capital assets, net of accumulated depreciation	702
Total assets	<u>4,335</u>
Liabilities	
Warrants in excess of cash	33,608
Accounts payable	10
Salaries and benefits payable	5,294
Interfund payable	5,000
Total liabilities	<u>43,912</u>
Net assets	
Invested in capital assets, net of related debt	702
Unrestricted	<u>(40,279)</u>
Total net assets	<u><u>\$ (39,577)</u></u>

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 Year ended June 30, 2009

	<u>Enterprise Funds</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 32,804</u>
Operating expenses:	
Non-instructional programs:	
Daycare operations:	
Other	57,850
Food service operations:	
Other	28,940
Depreciation	208
Total operating expenses	<u>86,998</u>
Operating loss	<u>(54,194)</u>
Non-operating revenue:	
Local sources	44
State sources	335
Federal sources	37,878
Contributions from private sources	1,350
Interest income	0
Total non-operating revenue	<u>39,607</u>
Change in net assets	(14,587)
Net assets beginning of year, as restated	<u>(24,990)</u>
Net assets end of year	<u><u>\$ (39,577)</u></u>

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2009

	Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 9,102
Cash received from community service activities	24,768
Cash paid to employees for services	(62,364)
Cash paid to suppliers for goods or services	(18,508)
Net cash used by operating activities	<u>(47,002)</u>
Cash flows from non-capital financing activities:	
Other local sources	1,394
State grants received	335
Federal grants received	35,060
Net cash provided by non-capital financing activities	<u>36,789</u>
Net decrease in cash and cash equivalents	(10,213)
Cash and cash equivalents at beginning of year	<u>(21,926)</u>
Cash and cash equivalents at end of year	<u><u>\$ (32,139)</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (54,194)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	2,818
Depreciation	208
Decrease in inventories	565
Decrease in accounts receivables	1,066
Increase in salaries and benefits payable	2,525
Increase in accounts payable	10
Net cash used by operating activities	<u><u>\$ (47,002)</u></u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash and investments	\$ 1,469
Warrants in excess of cash	(33,608)
Cash and cash equivalents at year end	<u><u>\$ (32,139)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$2,818 of federal commodities.

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2009

	<u>Agency Fund</u>
Assets	
Cash and pooled investments	<u>\$ 4,440</u>
Total assets	<u>4,440</u>
Liabilities	
Other payables	<u>4,440</u>
Total liabilities	<u>4,440</u>
Net assets	<u><u>\$ -</u></u>

See notes to financial statements

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(1) **Summary of Significant Accounting Policies**

Prescott Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve and special education. The geographic area served includes the City of Prescott, Iowa and the predominately agricultural territory in Adams County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Prescott Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Prescott Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Management Fund is a Special Revenue Fund used to account for revenues derived from specific services which are usually required by law or regulation to be accounted for in a separate fund.

The PPEL Fund is a Special Revenue Fund used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

The District reports the following major proprietary funds:

The District's proprietary funds consist of the Enterprise, Daycare Fund and the Enterprise, School Nutrition Fund. These funds are used to account for the child daycare operations and the food service operations of the District.

The District also reports a fiduciary fund whose focus is on net assets. The District's fiduciary fund is:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Currently the district has not established a written capitalization threshold policy. The general policy is to capitalize assets with an initial individual cost in excess of \$500 and estimated useful life in excess of two years. The district is currently in the process of establishing a written policy as such.

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	20-40 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees do not accumulate earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$340,987

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Management Levy	Proprietary:	
	Daycare Fund	<u>\$5,000</u>

The District approved the loan in March, 2007. Principle and interest of 4% will be paid from outside contributions on an annual basis.

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,000	-	-	20,000
Total capital assets not being depreciated	20,000	-	-	20,000
Capital assets being depreciated:				
Buildings and improvements	534,106	25,000	-	559,106
Furniture and equipment	308,465	10,893	3,215	316,143
Total capital assets being depreciated	842,571	35,893	3,215	875,249
Less accumulated depreciation for:				
Buildings and improvements	308,650	8,984	-	317,634
Furniture and equipment	242,288	28,349	3,215	267,422
Total accumulated depreciation	550,938	37,333	3,215	585,056
Total capital assets being depreciated, net	291,633	(1,440)	-	290,193
Governmental activities capital assets, net	\$ 311,633	(1,440)	-	310,193
Business type activities:				
Furniture and equipment	\$ 7,432	-	-	7,432
Less accumulated depreciation	6,522	208	-	6,730
Business type activities capital assets, net	\$ 910	(208)	-	702

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 18,533
Special	473
Other	529

Support services:

Student Support	315
Instructional Staff Support	315
Administration	1,668
Operation and Maintenance	315
Transportation	15,185
Facilities Acquisition	-
	37,333

Unallocated depreciation

Total governmental activities depreciation expense

\$ 37,333

Business type activities:

Food services

\$ 208

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$22,744, \$21,028, and \$26,954, respectively, equal to the required contributions for each year.

(6) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$36,342 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Operating Lease

The District entered into a five-year agreement which expires in March, 2010 for the lease of its copy equipment. The agreement requires minimum base rents at a monthly rate plus fees based on usage. The total minimum lease commitment under the agreement is as follows:

Year ending June 30,	Minimum lease payments
2010	2,664
	<u>\$ 2,664</u>

The total lease expense for the year ended June 30, 2009 was \$3,552.

(9) Restatements

The total beginning net assets of business type activities were decreased by \$2,769 due to a reconciliation error.

(10) Subsequent Event

On October 8, 2009, Governor Chet Culver announced a 10 percent across-the-board cut to state general fund appropriations effective immediately. The cut is a reduction of approximately \$238.5 million to Iowa schools and approximately \$800,000 to the Iowa Department of Education. What this will mean to Iowa school districts is still unfolding.

Required Supplementary Information

PRESCOTT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts (Original & Final)	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 559,223	34,198	593,421	673,854	(80,433)
State sources	549,505	335	549,840	616,400	(66,560)
Federal sources	139,941	37,878	177,819	125,000	52,819
Total revenues	1,248,669	72,411	1,321,080	1,415,254	(94,174)
Expenditures:					
Instruction	702,256	-	702,256	753,603	51,347
Support services	409,424	-	409,424	501,403	91,979
Noninstructional programs	-	86,998	86,998	161,269	74,271
Other expenditures	65,173	-	65,173	153,839	88,666
Total expenditures	1,176,853	86,998	1,263,851	1,570,114	306,263
Excess (deficiency) of revenues over (under) expenditures	71,816	(14,587)	57,229	(154,860)	212,089
Balances beginning of year, as restated	265,931	(24,990)	240,941	493,540	(252,599)
Balances end of year	\$ 337,747	(39,577)	298,170	338,680	(40,510)

See accompanying independent auditor's report.

PRESCOTT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standard* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

Other Supplementary Information

PRESCOTT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year ended June 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 5,195	7,037	7,792	4,440
Total assets	\$ 5,195	7,037	7,792	4,440
Liabilities				
Liabilities:				
Other payables	\$ 5,195	7,037	7,792	4,440
Total liabilities	\$ 5,195	7,037	7,792	4,440

See accompanying independent auditor's report.

PRESCOTT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:								
Local sources:								
Local tax	\$ 533,168	511,927	476,570	444,195	396,154	426,058	511,255	477,271
Tuition	11,966	42,939	30,453	28,604	15,304	37,595	41,294	26,207
Other	14,089	57,658	32,657	29,227	56,148	16,046	11,616	51,574
Intermediate sources	-	-	-	-	-	150	-	-
State sources	549,505	519,182	508,711	522,902	512,440	467,726	463,612	449,117
Federal sources	139,941	93,730	108,413	66,904	47,684	79,663	67,230	23,225
Total	1,248,669	1,225,436	1,156,804	1,091,832	1,027,730	1,027,238	1,095,007	1,027,394
Expenditures:								
Instruction:								
Regular instruction	556,951	559,500	560,175	467,916	475,073	453,652	512,219	418,379
Special instruction	127,556	124,912	122,440	129,482	140,840	129,003	118,326	97,333
Other instruction	17,749	5,451	2,135	8,524	45,329	62,309	57,289	57,418
Support services:								
Student services	-	-	-	-	-	-	-	7,211
Instructional staff services	157,589	127,546	115,130	67,490	26,287	5,171	3,142	1,636
Administration services	120,462	189,028	167,701	163,985	152,885	140,753	138,267	140,972
Operation and maintenance of plant services	74,034	71,335	72,489	68,192	58,444	58,242	57,708	48,723
Transportation services	57,339	64,349	64,050	74,337	55,631	52,619	118,351	96,985
Central support	-	-	-	-	-	-	-	88
Non-instructional programs	-	-	-	-	288	236	359	-
Other expenditures:								
Facilities acquisition	28,831	83,286	43,236	73,489	40,522	101,136	18,467	41,067
AEA flowthrough	36,342	35,544	34,871	34,117	33,187	32,909	35,085	34,449
Total	\$ 1,176,853	1,260,951	1,182,227	1,087,532	1,028,486	1,036,030	1,059,213	944,261

See accompanying independent auditor's report.

PRESCOTT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Pre-school	\$ 6	120	-	126
Book sales	-	540	540	-
Student accounts	296	58	120	234
Band	275	32	156	151
Total	<u>\$ 577</u>	<u>750</u>	<u>816</u>	<u>511</u>

See accompanying independent auditor's report.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2009

	Enterprise Funds		
	Daycare	Food Service	Total
Assets			
Cash and pooled investments	\$ 1,469	-	1,469
Receivables:			
Accounts	107	-	107
Inventories	-	2,057	2,057
Fixed assets:			
Equipment	-	7,432	7,432
Accumulated depreciation	-	(6,730)	(6,730)
Total assets	1,576	2,759	4,335
Liabilities			
Warrants in excess of cash	32,241	1,367	33,608
Accounts Payable		10	10
Salaries and benefits payable	5,046	248	5,294
Interfund payable	5,000	-	5,000
Total liabilities	42,287	1,625	43,912
Net assets			
Invested in capital assets, net of related debt	-	702	702
Unrestricted	(40,711)	432	(40,279)
Total net assets	\$ (40,711)	1,134	(39,577)

See accompanying independent auditor's report.

PRESCOTT COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
Year ended June 30, 2009

	Enterprise Funds		
	Daycare	Food Service	Total
Operating revenue:			
Local sources:			
Other local sources:			
Sale of lunches and breakfasts	\$ -	9,042	9,042
Sale of services	23,762	-	23,762
Total operating revenue	23,762	9,042	32,804
Operating expenses:			
Non-instructional programs:			
Daycare operations:			
Salaries	45,859	-	45,859
Benefits	7,642	-	7,642
Services	556	-	556
Supplies	3,793	-	3,793
	57,850	-	57,850
Food services operations:			
Salaries	-	8,958	8,958
Benefits	-	2,430	2,430
Services	-	531	531
Supplies	-	17,021	17,021
Depreciation	-	208	208
	-	29,148	29,148
Total operating expenses	57,850	29,148	86,998
Operating loss	(34,088)	(20,106)	(54,194)
Non-operating revenue:			
Local sources	-	44	44
State sources	-	335	335
Federal sources	19,375	18,503	37,878
Contributions from private sources	1,350	-	1,350
Total non-operating revenue	20,725	18,882	39,607
Changes in net assets	(13,363)	(1,224)	(14,587)
Net assets beginning of year, as restated	(27,348)	2,358	(24,990)
Net assets end of year	\$ (40,711)	1,134	(39,577)

See accompanying independent auditor's report.

PRESCOTT COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year ended June 30, 2009

	Enterprise Funds		
	Daycare	Food Service	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	9,102	9,102
Cash received from miscellaneous operating activities	24,768		24,768
Cash payments to employees for services	(48,455)	(13,909)	(62,364)
Cash payments to suppliers for goods or services	(4,349)	(14,159)	(18,508)
Net cash used by operating activities	(28,036)	(18,966)	(47,002)
Cash flows from non-capital financing activities:			
Other local sources	1,350	44	1,394
State grants received	-	335	335
Federal grants received	19,375	15,685	35,060
Net cash provided by non-capital financing activities	20,725	16,064	36,789
Net decrease in cash and cash equivalents	(7,311)	(2,902)	(10,213)
Cash and cash equivalents at beginning of year	(23,461)	1,535	(21,926)
Cash and cash equivalents at end of year	<u>\$ (30,772)</u>	<u>(1,367)</u>	<u>(32,139)</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (34,088)	(20,106)	(54,194)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	-	2,818	2,818
Depreciation	-	208	208
Decrease in inventories	-	565	565
Increase in accounts payable	-	10	10
Increase (decrease) in salaries and benefits payable	5,046	(2,521)	2,525
Decrease in accounts receivable	1,006	60	1,066
Net cash used by operating activities	<u>\$ (28,036)</u>	<u>(18,966)</u>	<u>(47,002)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:			
Current assets:			
Cash and investments	\$ 1,469	-	1,469
Warrants in excess of cash	<u>\$ (32,241)</u>	<u>(1,367)</u>	<u>(33,608)</u>
	<u>\$ (30,772)</u>	<u>(1,367)</u>	<u>(32,139)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received federal commodities valued at \$2,818.

See accompanying independent auditor's report.

PRESCOTT COMMUNITY SCHOOL DISTRICT



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Van Maanen, Sietstra & Meyer, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Prescott Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Prescott Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated August 12, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Prescott Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing our opinion on the effectiveness of Prescott Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Prescott Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Prescott Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Prescott Community School District's financial statements that is more than inconsequential will not be prevented or detected by Prescott Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Prescott Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prescott Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Prescott Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Prescott Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Prescott Community School District and other parties to whom Prescott Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Prescott Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

August 12, 2009

PRESCOTT COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

II-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

Not applicable since less than \$500,000 in Federal Awards.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, did not exceed the certified budget amounts.

IV-B-09 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions - No business transactions between the District and District officials or employees were noted.

PRESCOTT COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting: (continued from previous page)

- IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-09 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
- IV-G-09 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-09 Deficit Balances - The Daycare Fund had a deficit balance at June 30, 2009.

Recommendation - The District should continue to investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate this deficit in the Daycare Fund at the end of the fiscal year.

Conclusion - Response accepted.

- IV-K-09 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	-
Statewide sales and services tax revenue		54,500
Expenditures/transfers out:		
School infrastructure:		
Facilities acquisition and construction	\$	14,830
Support services:		
Instructional staff services		1,307
		<u>16,137</u>
	\$	<u>38,363</u>